Legislative Department
Seattle City Council
Memorandum

Date: June 10, 2014

To: Transportation Committee

From: Dan Eder & Lish Whitson, Central Staff

Subject: **Pay Station Proviso**

During 2014 budget deliberations, Council imposed a budget proviso restricting SDOT's authority to spend any of the $30 million Pay Station Replacement CIP project funding ($25 million within the 6-year CIP and $5M for one additional year). The budget proviso was imposed in the context of the previous administration's decision to propose no changes to paid parking rates in the 2014 Budget.

The budget action indicates: "The proviso imposed by this green sheet will ensure that SDOT does not buy or lease pay stations until after the Executive and Council have reached accord on (a) what changes – if any – may be in store for on-street parking rate policies and (b) the rationale for either leasing or purchasing replacement pay stations."

The Seattle Department of Transportation (SDOT) has provided materials that are fully responsive to the Council's budget proviso. In light of the size of the project and Council's stated desire for additional information in the budget proviso, this memo is intended to provide context for both Council and the public.

SDOT's "2014 Performance-Based On-Street Parking Report: Proviso Response" describes (a) SDOT's planned changes to parking rates in 2014 and (b) SDOT's plan to lease rather than to purchase new pay stations.

Lease vs. Purchase

The budget proviso requested that SDOT indicate whether plans to lease or purchase 2,200 replacement pay stations and why. Either way, SDOT initially planned to replace 500 pay stations in 2014; 1,000 in 2015; and 700 in 2016, recognizing those numbers could change once SDOT selects its new vendor and completes contract negotiations.

Based on a preliminary review of responses to a Request for Proposals, SDOT has determined that either the lease option or the purchase option would be affordable within the funding levels included in the Adopted CIP. SDOT concludes that a 7-year lease is preferable because it puts the onus on the vendor to keep the pay stations functioning with the latest technology; and it better addresses performance issues including potential use of outdated parts and systems, costly upgrades, changes in cellular networks, among other considerations.

SDOT indicates that on a Net Present Value (NPV) basis it is slightly less expensive to lease than to purchase, but SDOT agrees that this analysis excludes some potential costs of the lease option. SDOT compared a purchase option to a 7-year lease, but – since the installations will be staggered over a three year period – most of the pay stations will still be under lease during years 8 and 9. During the full 9-year period that some pay stations will be leased, we estimate that the lease option will cost up to $2.6 million more than the purchase option in nominal dollars (about $800,000 more on an NPV basis).

SDOT indicates that the advantages of the lease option outweigh the $2.6 million in added costs, and SDOT's rationale seems reasonable.

Rate Changes in 2014

SDOT intends to review and change parking rates each year if annual parking studies show that changes are warranted. The report identifies a suite of changes to parking rates that SDOT would make if changes were based purely on 2013 occupancy data. However, SDOT is currently completing its 2014 occupancy data collection, and SDOT expects to amend the planned rate changes to incorporate updated occupancy counts from this not-yet-completed effort.

By the time actual rates changes are rolled out in 2014, SDOT now expects that it will have replaced 100 of the City's aging 2,200 pay stations. Originally, that 2014 numbers was 500 pay stations. The schedule has shifted in part due to the length of the RFP process. The new technology will enable SDOT to set different hourly rates during different time periods ("time-of-day rates") in the areas where the new pay stations are installed. Generally, existing pay stations limit SDOT to a single rate all day long.

In areas with the new pay stations, SDOT will be able to establish one rate during morning hours, another rate during the afternoon, and a third rate in the evening (in areas with evening parking rates).

SDOT also plans to change rates in several parking areas throughout the day and add evening paid parking in five areas.

Costs and Revenue Implications

Since the Adopted Budget assumed no changes to parking rates in 2014, SDOT estimates it will need $200,000 in additional appropriations to pay for the cost of signage and other one-time costs related to the planned rate changes.

City policy requires that rate changes must be based on occupancy data rather than on General Subfund (GSF) revenue implications. Nonetheless, Council may be interested in how the planned rate changes will affect GSF Revenues. Based on 2013 occupancy data, SDOT plans more rate decreases than rate increases. At the same time, the City's Finance and Administrative Services (FAS) Department has increased its overall estimate of on-street parking revenues, independent of any rate changes. The net effect of the increased overall revenue estimate together with anticipated lower revenues from the planned rate changes is a$400,000 increase in 2014 on-street parking revenues.

New Methodology: Occupancy Measures

SDOT plans to use a new methodology for determining parking occupancy starting in 2014. The 2013 Annual Paid Parking Occupancy Report determined daytime occupancy by measuring peak occupancy between 8 AM and 3 PM. In 2014, most areas will not yet have new pay stations installed that are capable of time-of-day pricing. In those areas, SDOT will begin setting all-day rates using a measure of peak occupancy between 8 AM and 8 PM (or 6 PM for those areas without evening parking).

The new methodology will significantly affect the measured occupancy in some areas. For instance, the Uptown Core area had a daytime peak occupancy in 2013 of 42 percent using the previous methodology; 42 percent is well below the target range, suggesting a daytime rate decrease. However, under the new methodology, Uptown Core's daytime peak occupancy in 2013 soars to 75 percent occupancy; 75 percent is within the target range, suggesting no rate change.

New Methodology: Target Ranges

In the past, SDOT has compared observed occupancy against an individualized target range for each parking area. The target range varied depending on whether a given area had more or fewer parking spaces per block face. The rationale for this approach was that it closely matches City policy that rates should be raised when there is less than one open space per block face in a given area, and rates should be lowered when there are more than two open spaces per block face.

SDOT plans to begin using a common City-wide target range against which it will compare observed occupancy. SDOT prefers this new approach because it is simpler to communicate to the public, which is especially appealing as SDOT begins to implement time-of-day pricing. Ideally, the City would change parking rates in each individual area based on how local demand for parking compares to the local supply of parking spots. A City-wide target range will diminish the City's ability to fine-tune the balance between pricing and demand in areas with unusually high numbers of parking spaces per block face (e.g., Cherry Hill) and in those with unusually low numbers (e.g., Pioneer Square Core).

The following chart shows the differences in approach by parking area:

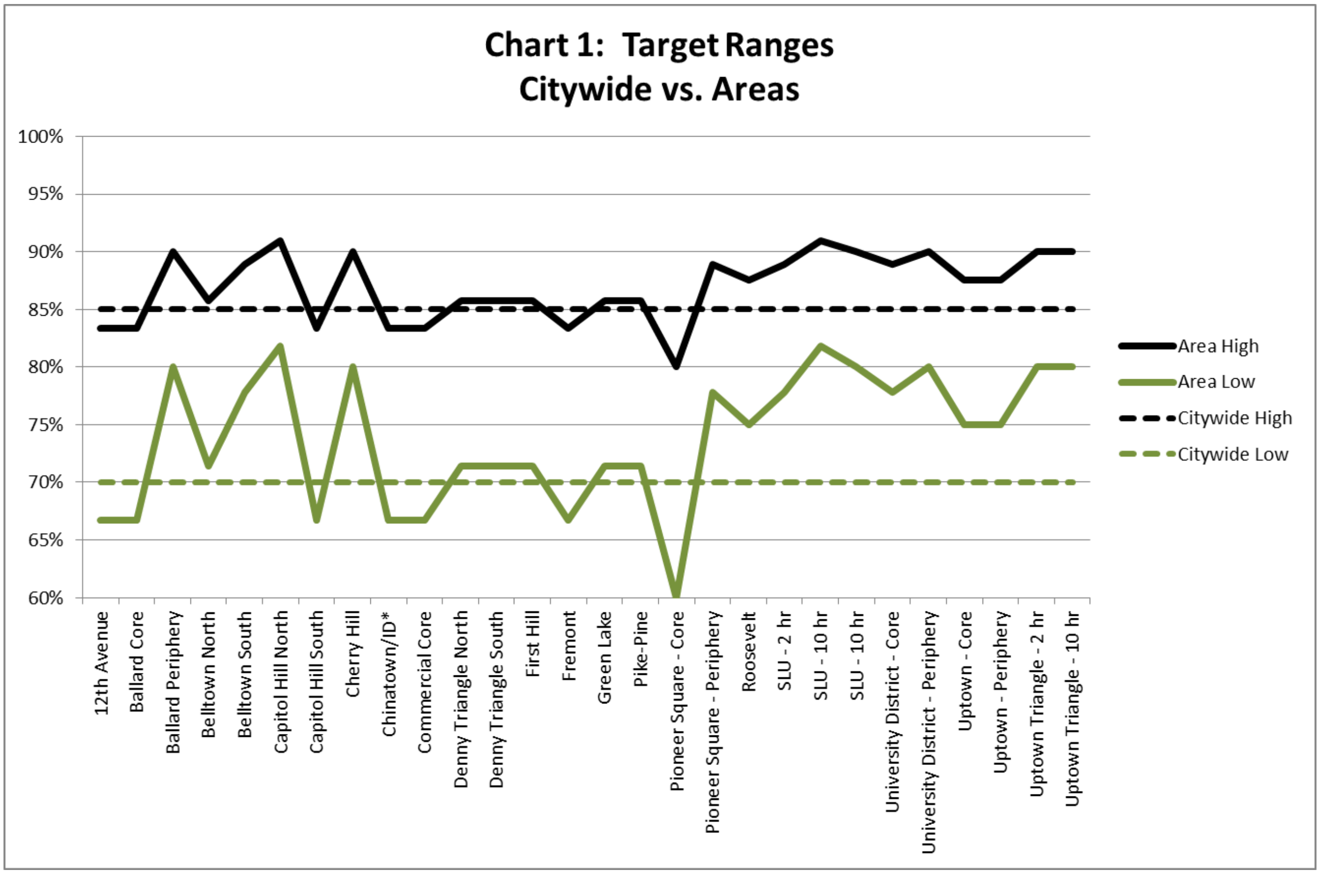
Chart 1: Target Ranges
Citywide vs. Areas
100%
95%
90%
85%
80%
75%
70%
65%
60%
12th Avenue
Ballard Core
Ballard Periphery
Belltown North
Belltown South
Capitol Hill North
Capitol Hill South
Cherry Hill
Chinatown/ID*
Commercial Core
Denny Triangle North
Denny Triangle South
First Hill
Fremont
Green Lake
Pike-Pine
Pioneer Square - Core
Pioneer Square - Periphery
Roosevelt
SLU - 2 hr
SLU - 10 hr
SLU - 10 hr
University District - Core
University District - Periphery
Uptown - Core
Uptown - Periphery
Uptown Triangle - 2 hr
Uptown Triangle - 10 hr
Area High
Area Low
Citywide High
Citywide Low